

## Message Text

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FOR ROGERS FROM KATZ

E.O. 11652: N/A

TAGS: EGEN

SUBJECT: JOAN BRADEN ARTICLE

1. AS YOU REQUESTED, THERE FOLLOWS COMMENTS ON THE  
JOAN BRADEN ARTICLE IN THE WASHINGTON POST. I HAVE  
TRIED, AS YOU SUGGESTED, TO RESTRAIN MYSELF.

2. FACTUAL ERRORS

A. COFFEE

--THERE IS NO MINIMUM PRICE IN THE NEW INTERNATIONAL  
COFFEE AGREEMENT (ICA). THERE ARE, HOWEVER, "TRIGGER  
PRICES" WHICH WILL ACTIVATE THE EXPORT QUOTA MECHANISM  
SOMEWHERE BETWEEN 63 AND 77.5 CENTS A POUND. ONCE THIS  
MECHANISM IS ACTIVATED, THE COFFEE COUNCIL WILL MEET TO  
ESTABLISH MINIMUM AND MAXIMUM PRICE GOALS IN THE LIGHT OF  
PREVAILING MARKET CONDITIONS.

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--THERE ARE NO PROVISIONS IN THE ICA WHICH REQUIRE

PRODUCERS TO "SHIP THEIR RESERVE SUPPLIES TO THE UNITED STATES." THERE ARE, HOWEVER, PROVISIONS WHICH WILL TAKE INTO ACCOUNT EXPORT PERFORMANCE TO MEMBER IMPORTING COUNTRIES DURING THE FIRST TWO YEARS OF THE NEW AGREEMENT WHEN THE BASIC QUOTAS OF EXPORTING MEMBERS ARE CALCULATED.

--THE ESTABLISHMENT OF A PROMOTION FUND WAS NOT A SURRENDER, IT WAS AN INNOVATION. IT IS THE FIRST ATTEMPT BY AN INTERNATIONAL COMMODITY AGREEMENT TO DEAL WITH THE BOOM AND BUST PROBLEMS IN A COMMODITY BY EXPANDING DEMAND AS WELL AS LIMITING SUPPLY.

--WE DID NOT AGREE "TO LET THE PRODUCERS ADD 1/10TH OF 1 PERCENT TO THE PRICE OF EACH POUND OF COFFEE." THE AGREEMENT ESTABLISHES A COMPULSORY LEVY ON EXPORTING MEMBER GOVERNMENTS DURING THE FIRST TWO YEARS OF ITS OPERATION IN AMOUNTS VARYING FROM 5 TO 25 CENTS PER 60 KILO BAG. IF PASSED THROUGH TO THE CONSUMER, THIS WOULD AMOUNT TO LESS THAN 2/10THS OF A CENT PER POUND. WHETHER THIS INFINITESIMAL AMOUNT IS PASSED ON TO THE CONSUMER IS ARGUABLE. WHILE THE PROMOTION FUND IS COLLECTING MONIES FROM PRODUCERS DURING A PERIOD OF WINDFALL PROFITS IT WILL NOT SPEND ANY OF THESE FUNDS ON PROMOTION BEFORE SEPTEMBER 1977, WHEN, HOPEFULLY, THE SUPPLY SITUATION WILL HAVE BEGUN TO RETURN TO NORMAL.

--IF MRS. BRADEN IS PAYING 3.00 DOLLARS PER POUND FOR HER COFFEE, SHE OUGHT TO SHOP MORE CAREFULLY. THE POPULAR BRANDS OF COFFEE HAVE SOLD IN THE WASHINGTON AREA WITHIN THE PAST MONTH AS LOW AS 2.29 DOLLARS.

#### B. SUGAR

TO THE BEST OF OUR KNOWLEDGE, THE PRESIDENTIAL DECISION TO TRIPLE THE DUTY ON SUGAR WAS MADE WITHOUT BENEFIT OF MRS. BRADEN'S COUNSEL. HOWEVER, THE INTERAGENCY TASK FORCE WHICH PREPARED THE OPTIONS FOR THE PRESIDENT GAVE A PROMINENT POSITION TO THE CONSUMER IMPACT. THE DEPARTMENT OF STATE RECOMMENDED AGAINST THE DUTY INCREASE. LIMITED OFFICIAL USE

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--WE ARE NOT IN A POSITION TO JUDGE HOW HARD OR EFFECTIVELY SUGAR PRODUCERS LOBBIED THE WHITE HOUSE. HOWEVER, THE INTERAGENCY TASK FORCE ESTABLISHED THAT DOMESTIC PRODUCERS WERE SELLING THEIR SUGAR AT PRICES WELL BELOW COST OF PRODUCTION, AS, INDEED, WERE FOREIGN PRODUCERS.

--IF THE DOMESTIC SUGAR INDUSTRY WERE SUBSTANTIALLY REDUCED, THE INCREASED U.S. DEMAND ON THE WORLD SUGAR MARKET WOULD DRIVE IMPORTED SUGAR PRICES WELL ABOVE PRESENT LEVELS. THE GAIN TO CONSUMERS WOULD QUICKLY TURN INTO A MAJOR LOSS.

--THE DECISION TO PARTICIPATE IN THE NEGOTIATION FOR A NEW INTERNATIONAL SUGAR AGREEMENT (A FIG LEAF?) CAME WELL BEFORE THE PRESIDENTIAL DECISION ON THE SUGAR DUTY.

--THE "NATURAL FORCES OF SUPPLY AND DEMAND" WHICH LED TO THE DROP IN SUGAR PRICES ARE THE SAME FORCES WHICH GAVE US SUGAR AT 65 CENTS A POUND IN 1974. THE AMERICAN CONSUMER LOST ON THAT ONE TOO. THE FACT IS, THAT ANY ATTEMPT TO STABILIZE THE PRICE AND SUPPLY OF SUGAR WILL BE ACCOMPLISHED BY RESTRAINTS IMPOSED ON THE FREE MARKET, WHETHER THEY BE HIGHER DUTIES, IMPORT QUOTAS, OR AN INTERNATIONAL AGREEMENT CONTAINING EXPORT CONTROLS AND STOCKS FOR RELEASE IN TIMES OF HIGH PRICES.

#### C. MEAT

--THE IMPLICATION OF THE REMARKS ON BEEF QUOTAS IS THAT CONSUMERS ARE ADVERSELY IMPACTED BY THE DECISION. SINCE THE QUOTA LEVEL IS THE SAME AS THE LEVEL OF THE VOLUNTARY PROGRAM, THE ONLY CHANGE WAS IN THE FORM OF RESTRAINT AND THERE WAS NO IMPACT ON CONSUMERS.

#### 3. PROBLEMS CAUSED BY ARTICLE

A. THE ARTICLE GIVES THE FALSE IMPRESSION THAT THE DEPARTMENT OF STATE AND, INDEED, THE PRESIDENT PAY LITTLE HEED TO THE INTERESTS OF CONSUMERS BUT RESPOND POSITIVELY LIMITED OFFICIAL USE

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TO PRESSURES FROM LOBBYISTS, SPECIAL INTEREST GROUPS, AND FOREIGN GOVERNMENTS. THE DEPARTMENT HAS FOR A LONG TIME INCLUDED IN ITS ECONOMIC ANALYSES THE IMPACT OF PARTICULAR MEASURES ON CONSUMERS. IF ANYTHING, THE DEPARTMENT HAS BEEN REGARDED AS HOSTILE TO THE INTERESTS OF DOMESTIC PRODUCER GROUPS. THE BRADEN ARTICLE WILL IRONICALLY STRENGTHEN THIS IMPRESSION AMONG INDUSTRY GROUPS WHILE EARNING FOR THE DEPARTMENT THE ENMITY OF CONSUMER INTERESTS.

B. THE INACCURATE COMMENTS ON THE MINIMUM PRICE FOR COFFEE PRODUCERS AND THE COFFEE PROMOTION FUND WILL ENCOURAGE CONSUMER OPPOSITION TO CONGRESSIONAL PASSAGE OF THE IMPLEMENTING LEGISLATION FOR THE NEW COFFEE AGREEMENT WHICH WE WILL BE SEEKING NEXT YEAR. IT

SUPPORTS A MISCONCEPTION COMMON AMONG EXTREMIST CONSUMER  
GROUPS THAT PROMOTIONAL ACTIVITIES PER SE ARE BAD.

C. THE ARTICLE DID A SERIOUS DISSERVICE TO THE PRESIDENT  
IN IMPLYING THAT CONSUMER INTERESTS WERE NOT CONSIDERED  
IN THE LENGTHY INTERAGENCY REVIEW WHICH PRECEDED THE  
PRESIDENT'S DECISIONS ON SUGAR AND MEAT. APART FROM  
THE LOYALTY DUE THE PRESIDENT IS THE PRACTICAL MATTER OF  
THE DEPARTMENT'S CREDIBILITY WITH HIM AS WE REPEATEDLY  
ASK HIM TO TAKE POLITICALLY DIFFICULT DECISIONS. BUT  
PERHAPS THIS IS OF DIMINISHING IMPORTANCE IN THE WANING  
DAYS OF AN ADMINISTRATION. ROBINSON

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